



Stormwater options

Final Report

17 August 2026

Commercial in Confidence

Document Set ID: 23096605

Version: 1, Version Date: 19/08/2026



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Table of contents

Understanding stormwater	5
Strategic context	10
High-level options assessment	22
Conclusions and recommendation	37
Appendix	39



Local Water Done Well enables Councils to transfer ownership and operation of core water infrastructure to new Water Organisations.

Councils will need to consider how to approach stormwater under the new framework, recognising that stormwater management involves an interconnected system requiring integration with other council functions, other entities, and private landowners.

Understanding stormwater

- Stormwater is a system
- Cross-jurisdiction



Why Stormwater is different

Stormwater is a system

- Stormwater is not a closed network. Rain falls and flows across roads, parks, streams, and private land. It's about understanding those flows and how stormwater is managed to prevent flooding and damage to property.
- Many assets that perform a stormwater function are multi-purpose, not dedicated infrastructure. These include road corridors and detention ponds and overland flow paths on parks and reserves.
- Effective management depends on land use, surface cover, and catchment behaviour, not just pipes and structures.

With strong public good characteristics

- Stormwater management is about risk management – especially flooding which can impact across communities.
- The benefits of good stormwater management are shared and diffuse across communities, rather than tied to individual users.
- Reflecting this, it's typically funded and rated differently from water supply and wastewater.

Stormwater as a system

Effective stormwater management spans asset types, involving a mix of specific (e.g., pipes, culverts, pump stations) and shared infrastructure (road corridors, parks and reserve), and has interdependencies with core council land-use planning and management functions.

Engineered assets

Purpose-built stormwater infrastructure

- Stormwater pipes and reticulation
- Culverts, manholes, catchpits, and sumps
- Pump stations
- Detention and retention basins and tanks

Transport corridors

Transport corridors play a key role, with specific stormwater assets (including drains and pipes) often built within a transport corridor, with responsibilities shared between transport and stormwater functions.

Multipurpose assets

Assets built for other uses that also manage stormwater

- Roads and kerb-and-channel systems (within transport corridor)
- Parks, reserves, and sports fields used for flood storage
- Streams and modified watercourses
- Constructed wetlands and green infrastructure (e.g. engineered swales that also serve as wetlands with ecological benefits; trees support stormwater management through capture and slowing of rainwater, reducing flooding and runoff.)

System-wide management

Essential to stormwater outcomes

- Overland flow paths, including across private land
- Catchment and stormwater network plans
- Planning rules controlling impervious surfaces, discharge management and flood risk management
- Flood hazard mapping and risk management plans

Distinguishing stormwater management and flood protection

Stormwater management

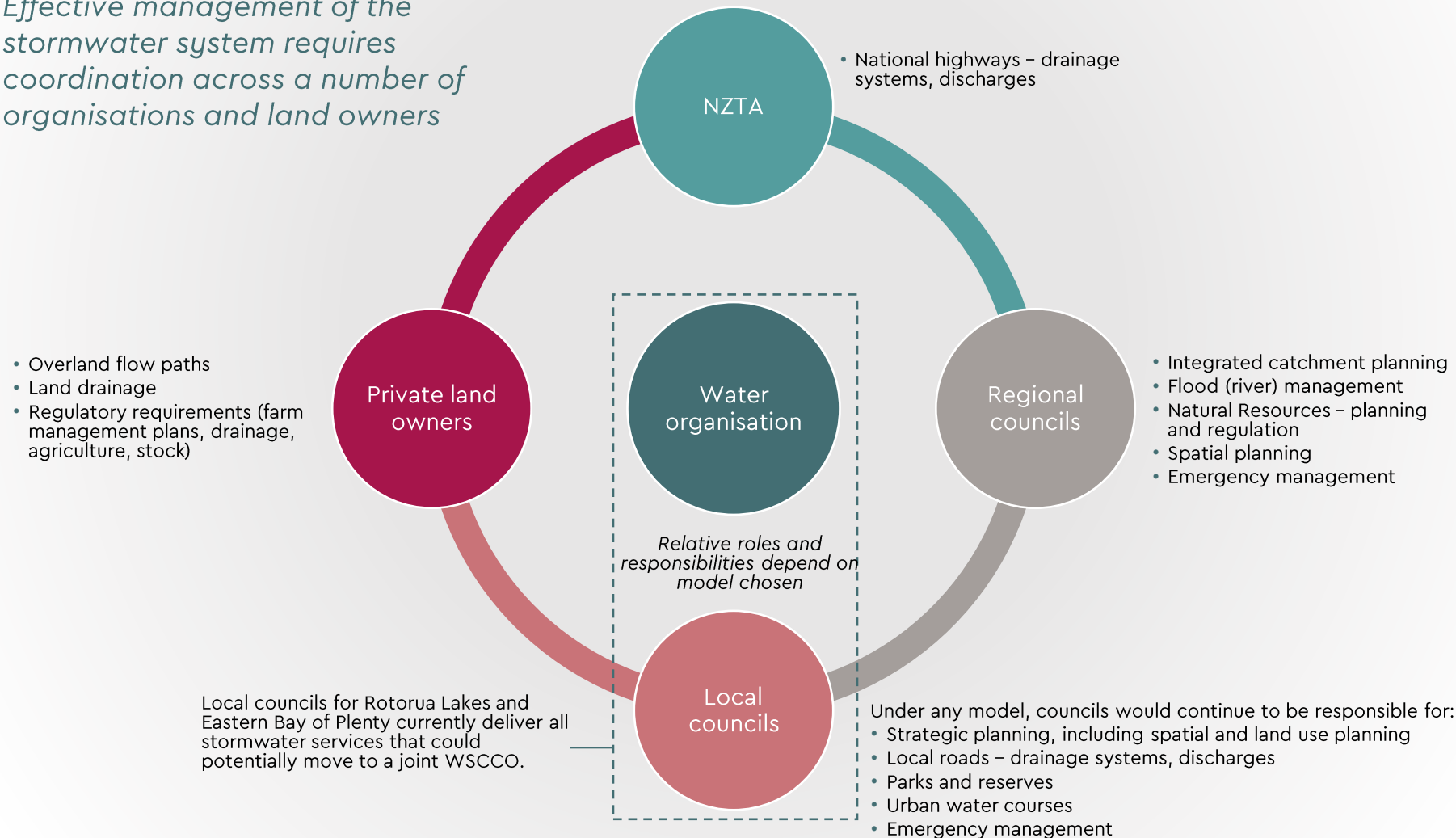
Stormwater management (predominantly urban-based) focuses on collecting and managing rainfall runoff from impervious surfaces (roofs, roads, parking lots) to reduce localised flooding, erosion in urban streams, and the transport of pollutants into water bodies. It involves "grey infrastructure" (pipes, underground drains, pumps) and "green infrastructure" (rain gardens, swales, permeable pavements) designed to handle high-velocity runoff, typically targeting a 1-in-10 to 1-in-50 year flood event in higher-density areas.

Flood protection

Flood protection aims to protect urban and rural land and transport infrastructure from major inundation caused by large river systems or overwhelmed drainage networks. It relies on large-scale engineering works such as stop banks, floodways, retention dams, and drainage canals, with infrastructure often provided and maintained by regional councils.

Different roles and responsibilities

Effective management of the stormwater system requires coordination across a number of organisations and land owners



Strategic context



Key features of the stormwater regulatory regime in the Local Government (Water Services) Act

The Act defines stormwater services:

"Stormwater services means the collection, treatment, drainage, reuse, or discharge of stormwater in an urban area or any stormwater service zone (other than those relating to a transport corridor)."

The Local Government (Water Services) Act 2025 provides:

- **Councils remain accountable for stormwater.** Councils are responsible for ensuring stormwater services are provided across their entire district, with options to provide services in multiple ways.
- **The Act specifies statutory obligations** of private land owners and transport corridor managers.
- The Act enables new planning and regulatory tools, including **Stormwater Network Risk Management Plans** that assess hazards and risks across the entire network, and Stormwater Network Bylaws and offences to manage risks and hazards that may affect the operation of critical network infrastructure.
- **The Act requires water service providers to coordinate with other entities that have statutory roles** or interests in stormwater infrastructure to ensure joined-up management.

The Act provides flexibility for councils to choose how to deliver stormwater services

While councils retain overall accountability for ensuring that stormwater services are provided in their district, they have flexibility to choose the delivery arrangements

Councils can:

- continue to deliver stormwater services directly (in-house)
- contract a water organisation (or potentially another third party) to provide all or some aspects of stormwater service delivery
- transfer responsibility for some aspects of stormwater service provision to a water organisation (cannot include those related to transport corridors).

Councils also have flexibility to choose the asset ownership arrangements

- Under the Act, asset ownership does not equate to responsibility for water services. This would allow Council to retain ownership of stormwater assets while transferring responsibility for stormwater to the WSCCO.
- Councils have choices about which assets transfer, so councils can consider different asset types separately (eg engineered assets v land used for stormwater)

The organisation with responsibility is a water services provider under the Act

- A water services provider is an inclusive term that covers local authorities and water organisations established under the Act. Most requirements and responsibilities under the Act apply to all WSPs.
- If a council decided to retain responsibility for stormwater and transfer responsibility for water supply and wastewater to the WSCCO, residents in that district would have **two water services providers**.
- If this happens, both the council and the WSCCO would need to comply with all regulatory, financial and planning requirements, including developing a Water Services Strategy, annual budget and reporting.

Differences in the way stormwater charges can be set

The Act has different requirements for Water Organisations and Councils in relation to the way they can charge for stormwater services

Local authorities

Local authorities who retain responsibility for stormwater services can continue to charge customers/ratepayers based on property value.

Water organisations

There are two parts of the Act that mean water organisations need to have a different basis for charging for stormwater services.

- Stormwater service zones: WOs are required to charge for stormwater services based on whether a property is inside or outside of a stormwater service zone.

A stormwater service zone is defined in the Act as 'a geographic area (comprising 1 or more urban areas and land adjacent to 1 or more of those urban areas) within a water service provider's service area that provides stormwater services to, or receives stormwater services from, the stormwater network'

- Removing ability to charge based on property value: after 5 years, WOs need to move to a charging method that must be reasonable but cannot be based on a property's rateable value.

All stormwater management options require coordination

To ensure integrated management:

WSPs must enter into joint service agreements with transport corridor managers.

WSPs may enter into joint service agreements with any other entities that have a statutory role, function, or interest in operating stormwater infrastructure in the provider's service area.

Stormwater Network Risk Management Plan

A WSP must develop a Stormwater Network Risk Management Plan for managing a stormwater network in its service area, and consult and adopt the plan by August 2028.

Where more than 1 WSP is responsible for managing a network, they must work collaboratively to prepare separate compatible plans or a joint plan to be implemented collaboratively (s 202).

Plans must (s 203):

- map the stormwater network in the WSP's service area
- identify all critical infrastructure in the service area
- identify all hazards that could affect the operation of critical infrastructure in the stormwater network
- assess any risks of adverse impact of hazards on the network
- describe how the risks are to be managed
- identify all overland flow paths and watercourses in the service area that receive stormwater from, or take stormwater to, critical infrastructure and cross over or beneath private land
- specify any stormwater network bylaws that must be complied with

Plans must be reviewed at least every 10 years.

Delivery model choices around the country

A comparison of delivery model choices made by other councils shows that the predominant model chosen by multi-council WSCCOs is for stormwater services to transfer to the WSCCO.

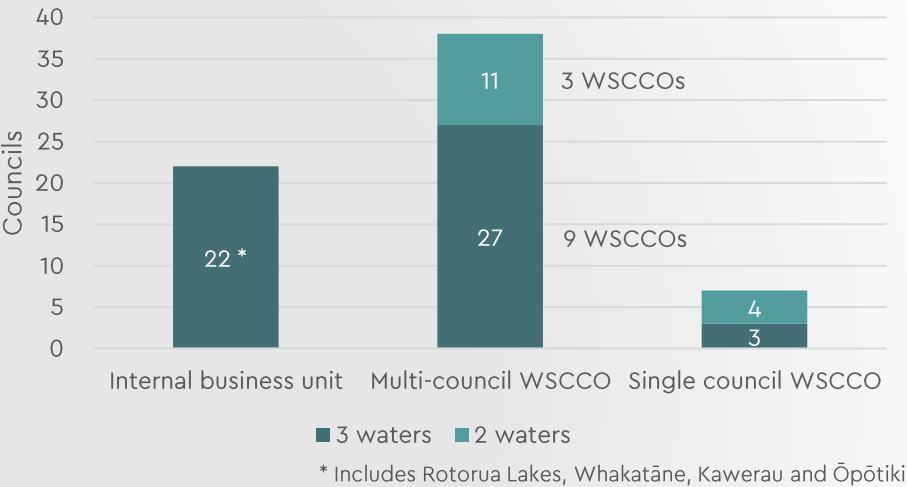
Councils balanced different considerations in arriving at these decisions, including community feedback. At a high level, some of the reasons given for choosing a 2 waters or 3 waters model included:

2 waters CCO

- integration with land use, transport, and flood management
- ability to fund via rates, potentially more appropriate for stormwater
- can be responsive to community and iwi needs

3 waters CCO

- integrated water services management improves efficiency and service coordination
- stronger capability to meet regulatory standards and deliver major upgrades
- larger asset base enhances financial scale and borrowing capacity
- simplifies service delivery and supports unified community and iwi engagement.



	3 waters	2 waters
Multi-council WSCCO	• Tauranga / Western Bay • Whanganui / Ruapehu • Hawke's Bay • Central Water • Wairarapa Tararua • Tiaki Wai • West Coast • Kaikōura / Hurunui • Southern Water	• Northland WSCCO • Iowai • Waikato Waters
Single council WSCCO	• Wairoa • Marlborough • Queenstown Lakes	• Watercare • New Plymouth • Selwyn • Timaru

Delivery model choices around the country

Summary of two water delivery model decisions or intentions to date

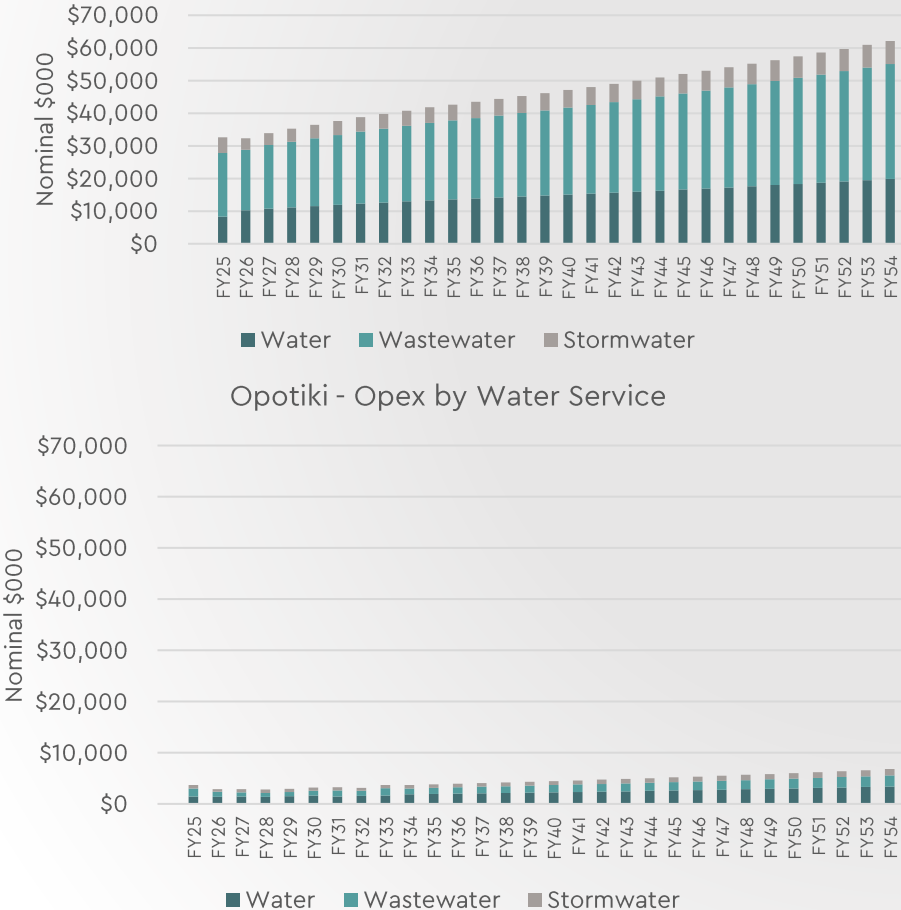
2W CCO		Decision / intention
Multi-council WSCCO	Northland	WSDP notes intention to explore contracting delivery of stormwater services from the new WSCCO
	Iowai	Decision has been made that delivery of stormwater services will be contracted from the Iowai for both Hamilton and Waikato
		Councils express different intentions in their WSDPs.
	Waikato Waters	- Hauraki, Matamata-Piako, Ōtorohanga*, South Waikato express intention to deliver stormwater services in-house. - Waipā and Waitomo express intention to contract delivery of stormwater services from Waikato Waters. - Transfer agreements signed with Waipā, Waitomo and South Waikato - Feb 2026: Waipā DC deferred decision to contract service delivery for one year to consider complexities of accountability with legislation confirmed, and because Waikato Waters have indicated they will not be in a position to deliver stormwater services before 1 July 2027 due to scale and risk associated with two waters transfer.
Single council WSCCO	New Plymouth	WSDP notes intention to explore contracting delivery of stormwater services from the new WSCCO
	Selwyn	Assumption is decision to deliver stormwater services in-house as no explicit mention of contracting this out.
	Timaru	Assumption is intention to deliver stormwater services in-house as no explicit mention of contracting this out.

* Intention to contract delivery of major capital projects, including potentially with Waikato Waters

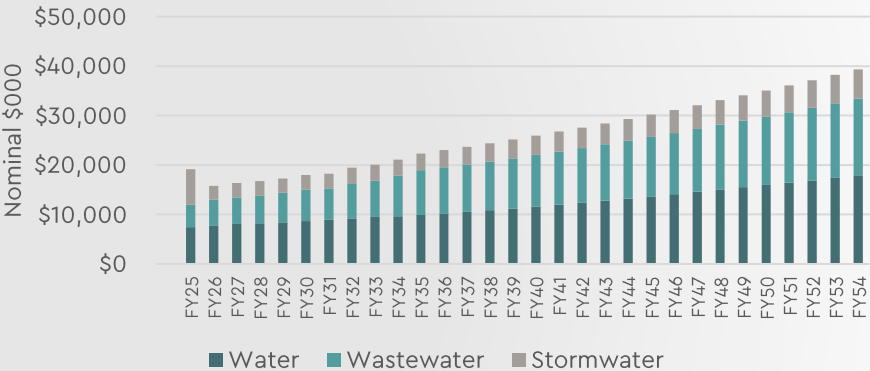
Forecast opex for stormwater services

Stormwater operating expenditure comprises 13% of total water services operating expenditure on average, and expenditure is forecast to grow at a slightly slower rate than the other two waters

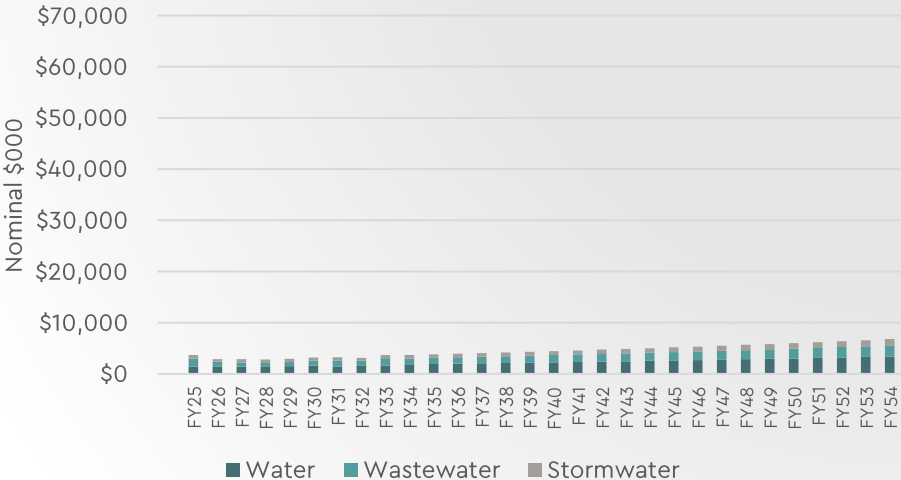
Rotorua - Opex by Water Service



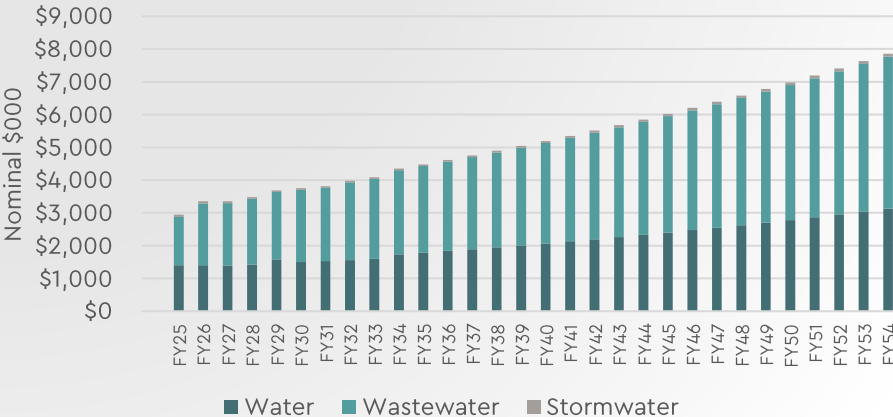
Whakatane - Opex by Water Service



Opotiki - Opex by Water Service



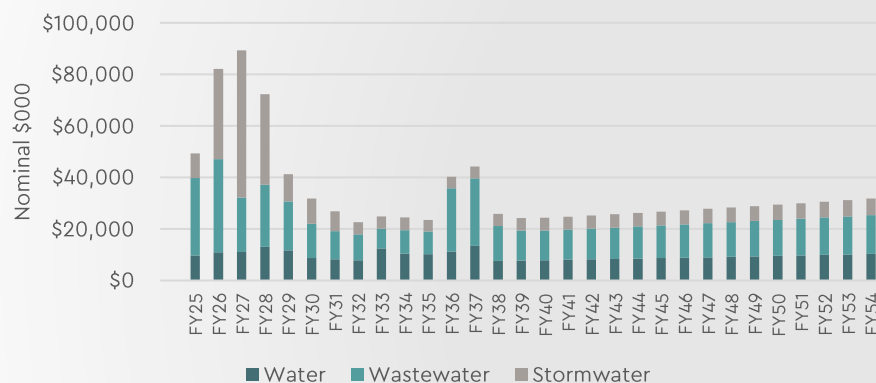
Kawerau - Opex by Water Service



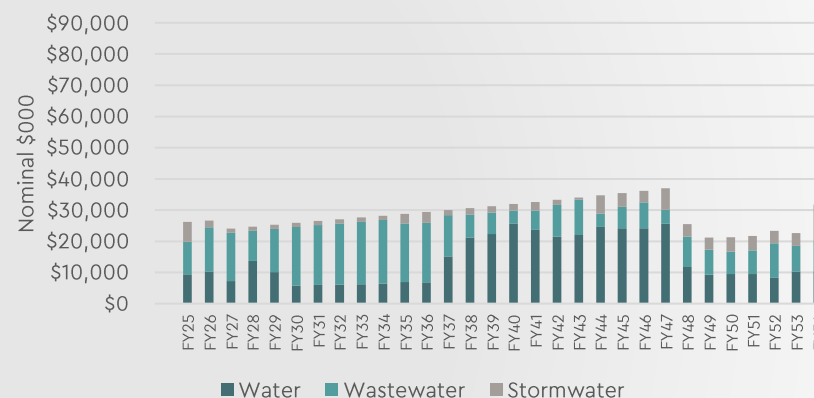
Forecast capex for stormwater services

Stormwater capital expenditure accounts for an average 16% of forecast water capital expenditure across the four Councils over the FY29-FY34 period.

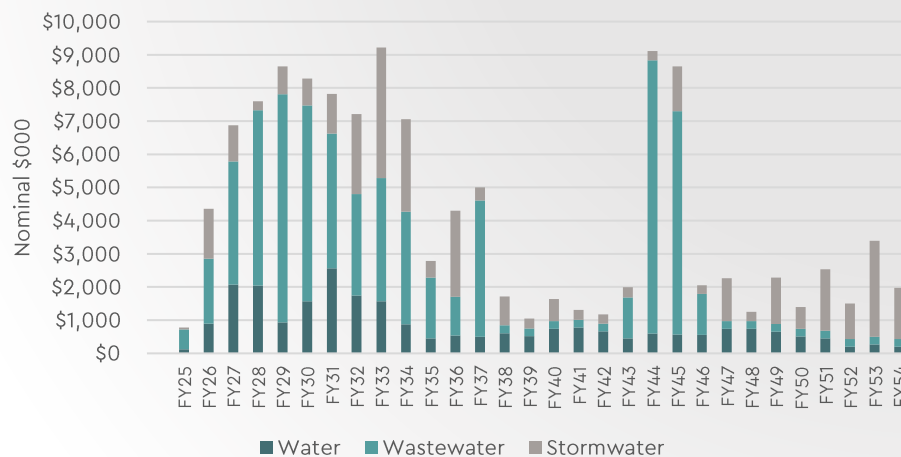
Rotorua - Capex by Water Service



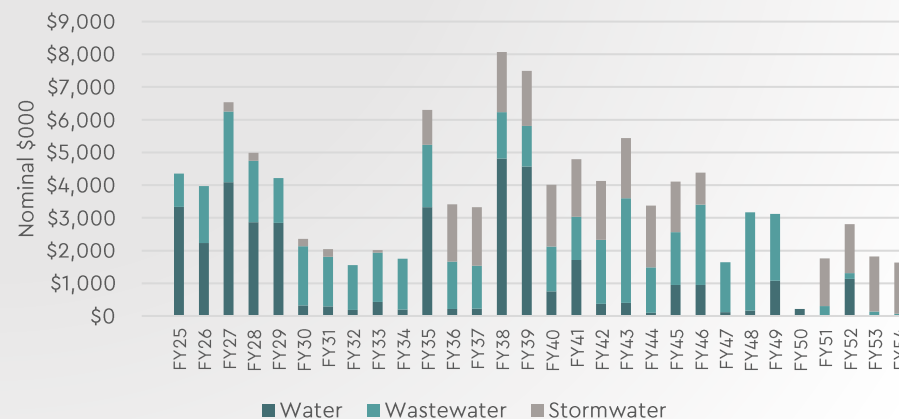
Whakatane - Capex by Water Service



Opotiki - Capex by Water Service

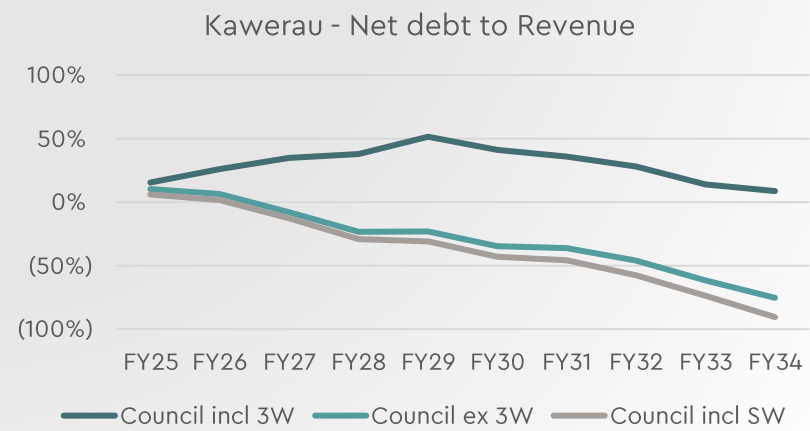
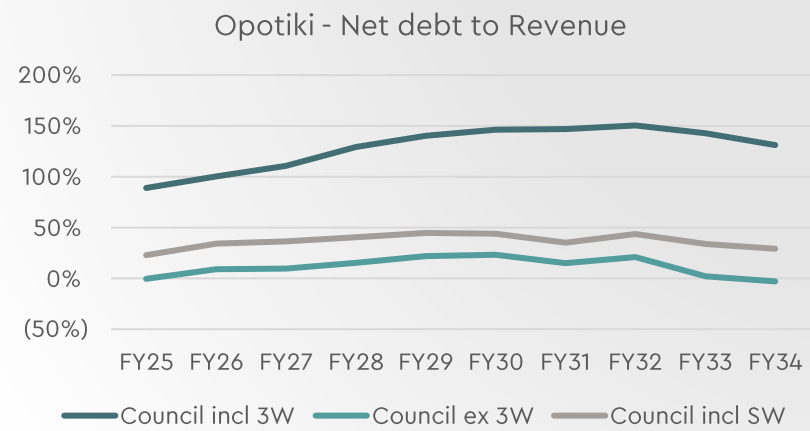
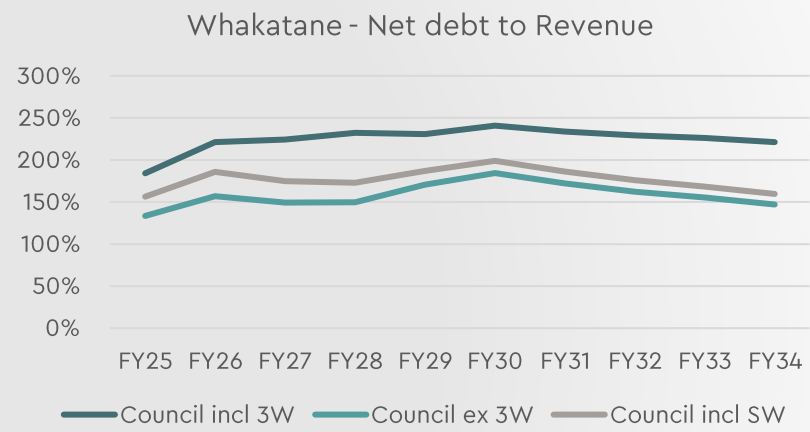
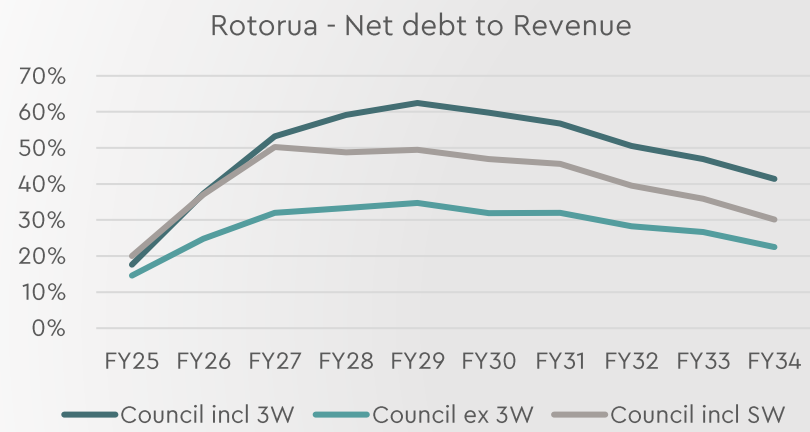


Kawerau - Capex by Water Service



Forecast net debt to revenue for council

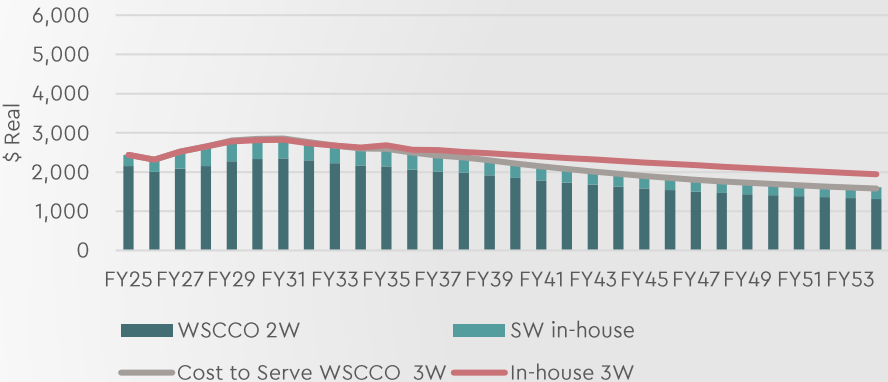
Transferring two water services to a WSCCO results in reduced net debt to revenue ratios for all four Councils. Three councils have a further improved ratio if stormwater is also transferred.



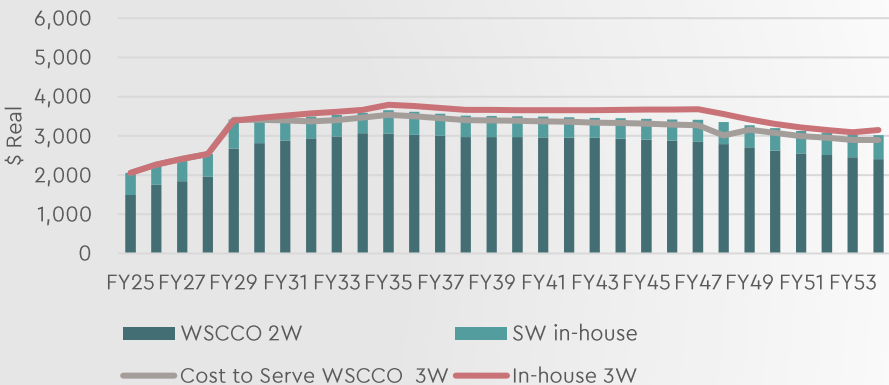
Price path comparison – with and without stormwater

Due to a mixture of greater efficiencies and the additional costs being spread over a larger number of connections, a 3W WSCCO is expected to result in the lowest average charge to consumers across the three permutations.

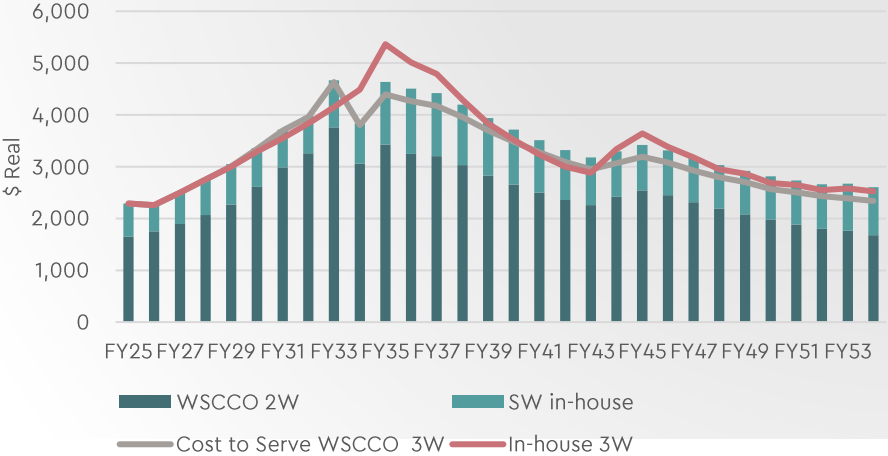
Rotorua - Average water charge per connection



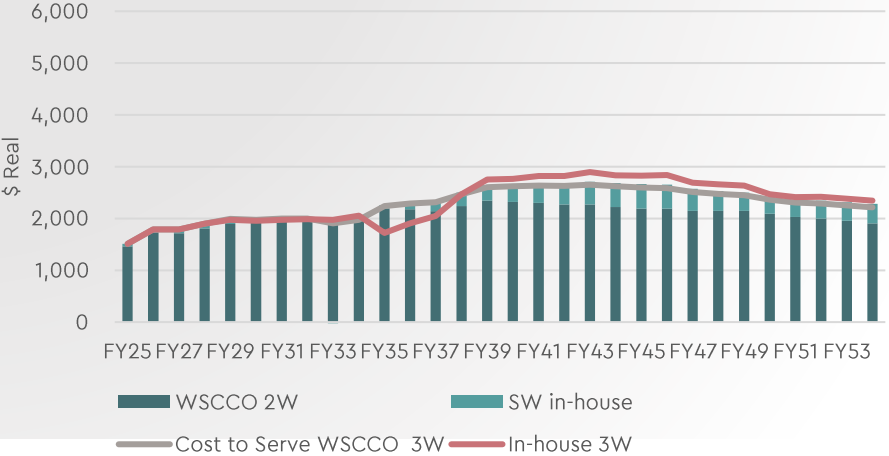
Whakatane - Average water charge per connection



Opotiki - Average water charge per connection



Kawerau - Average water charge per connection



Key stormwater risks and challenges

Common across councils

- Ability to prepare for or respond to impacts of geography, natural hazards & climate change – *seismic, geothermal, river flooding, coastal flooding, lake levels and water quality, increasing number of significant rainfall events*
- Potential for additional regulatory requirements for stormwater not accounted for
- Workforce challenges – employees, contractors given competition from 2W WSCCO and from neighbouring districts and regions
- Constrained ability to deliver large planned capital programmes
- Vulnerability to rising costs and supply chain constraints
- Capital goods inflation impact on capex project outturns and asset values, flowing into higher depreciation and renewals costs

Council specific

Rotorua Lakes

- Limited asset condition information and knowledge of stormwater network
- Increased compliance costs for comprehensive stormwater consent

Kawerau

- Reliance on industrial customers – financial sustainability vulnerable to business closure or relocation

Whakatāne

- Uncertain future compliance costs (CSCs)
- Deferred investments for renewals/upgrades and growth

Ōpōtiki

- Uncertain future compliance costs (CSCs)
- Significant affordability challenges
- Deferred investments – growth

High-level options assessment



Key dimensions of choice

When considering options for stormwater delivery, we have assumed a WSCCO is going to be established for water supply and wastewater.

Responsibility and delivery

While councils retain accountability for ensuring that stormwater services are provided in their district, they can choose amongst different options about who has responsibility for, and who delivers stormwater services.

The key options councils have in relation to responsibility and delivery of stormwater services are:

1. Council retains responsibility for, and delivery of, stormwater
2. Council retains responsibility for stormwater, but contracts delivery to the WSCCO
3. Council transfers key aspects of responsibility for stormwater to the WSCCO, alongside water supply and wastewater

Ownership of assets

Separately, councils can decide which, if any, assets they transfer to a water organisation. Options are outlined below.

Engineered assets

1. Council retains ownership of engineered stormwater assets: this is regardless of whether responsibility for stormwater is transferred to the WSCCO
2. Ownership of engineered water assets transfers to the WSCCO: in scenarios where responsibility for stormwater is transferred to the WSCCO.

We expect most councils that transfer responsibility for stormwater to the WSCCO will also choose to transfer engineered assets given the introduction of legal and contractual complexity with no clear advantage to retaining direct ownership.

Land assets

1. Council retains ownership of mixed-use land that is used for stormwater purposes: this is regardless of whether responsibility for stormwater is transferred to the WSCCO
2. Ownership of mixed-use land that is used for stormwater purposes transfers to the WSCCO: the exception to this would be any land classified as reserve land under the Reserves Act 1977 which would be complicated to transfer.

We expect most councils will choose to retain ownership of mixed-use land to ensure emphasis is given to all uses in decision making and to protect its mixed-use status going forward. This does not preclude contracting the WSCCO to maintain the stormwater capacity of mixed-use land.

Options considered

Considering the key dimensions of choice, we have constructed three options to be assessed. In our opinion, these represent the most feasible and realistic options for councils to consider across the key dimensions of choice: responsibility and delivery, and asset ownership. Further information about how each of these would work in practice is provided in the Appendix.

	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
All options	1 Two water services providers in the district - Council transfers responsibility and asset ownership for water supply and wastewater to the WSCCO - Ownership of land (mixed-used assets) largely remains with council - Council continues responsibilities with shared infrastructure, including parks.	2 Hybrid decision making models for stormwater v other waters - Council retains ownership of all stormwater assets. - Council retains planning and investment, funding decisions. - Council contracts delivery of stormwater services to the WSCCO	3 Integrated water services delivery and decision making - Responsibility for delivering stormwater services transfers to the WSCCO - Ownership of engineered assets transfers to the WSCCO. - Each organisation has responsibility for investment, planning, maintenance and operations of the assets they own.
Examples	- Watercare - Selwyn *<i>Waikato Waters (Hauraki, Matamata-Piako, Ōtorohanga**</i>, South Waikato) *<i>Timaru</i>	- Iwairangi *<i>Waikato Waters (Waipā, Waitomo)</i> *<i>Northland TBD</i> *<i>New Plymouth TBD</i>	All three waters CCOs

* Intentions as expressed in WSDP

** Intention to contract delivery of major capital projects, including potentially with Waikato Waters

Options discounted

Under option 3, council could also choose to **transfer land assets**.

- We recommend discounting this option given the mixed-use nature of land used for stormwater purposes. Councils would continue to manage this land, streamlining operational processes and protecting its mixed-use status going forward. Certain maintenance services could be contracted to the WSCCO to preserve the land's stormwater capacity and function if necessary, as under option 2.

Under option 3, council could choose to **transfer responsibility but no assets**.

- This option has not been analysed given the introduction of legal and contractual complexity with no clear advantage to retaining direct ownership

Options assessed

Options: 1 Stormwater stays with council

Description: Council retains responsibility for and delivery of stormwater services, and transfers water supply and wastewater services to the WSCCO

Who decides levels of service and investment intentions?

- Council (elected members) determine levels of service and investment for stormwater and are responsible for ensuring regulatory compliance.
- Councils must prepare Water Services Strategy for stormwater.
- WSCCO prepares WSS for water supply and wastewater services

Who undertakes strategic planning and delivery?

- Council remains responsible for planning and delivery of stormwater services, working with private suppliers and contractors.
- WSCCO responsible for strategic planning and delivery for water supply and wastewater services

What are the mechanisms for accountability?

- Accountability for stormwater services to the public through usual local democratic processes. Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council.
- Council will complete an annual report for stormwater services.
- WSCCO must prepare water services annual report and at least half-yearly reports to shareholders for water supply and wastewater.
- WSCCO subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council for water supply and wastewater services.

2 Council retains responsibility and contracts delivery of stormwater

Council retains responsibility for stormwater services, and contracts the delivery of services to the WSCCO.

- As for option 1.
- Decisions translated into levels of service specified in Management contract with WSCCO

- Council contracts the WSCCO to undertake strategic planning and delivery for stormwater services, in line with Water Services Strategy, working with private suppliers and contractors where appropriate

- As for option 1.

3 Council transfers responsibility for and delivery of stormwater

Council transfers responsibility for and delivery of stormwater services to the WSCCO, alongside water supply and wastewater

- Shareholders issue combined Statement of Expectations which may include matters related to service levels and investment for stormwater
- WSCCO develops Water Services Strategy and budgets to give effect to the Statement of Expectations and meet regulatory compliance for all water services.

- WSCCO responsible for strategic planning and delivery for all water services, in line with Water Services Strategy, working with private suppliers and contractors where appropriate

- WSCCO must prepare water services annual report and at least half-yearly reports to shareholders (shareholders accountable to community).
- WSCCO must give effect to SoE and act consistently with statutory objectives.
- Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council.

Options assessed

Options:			
	1 Stormwater stays with council	2 Council retains responsibility and contracts delivery of stormwater	3 Council transfers responsibility for and delivery of stormwater
Description:	Council retains responsibility for and delivery of stormwater services, and transfers water supply and wastewater services to the WSCCO	Council retains responsibility for stormwater services, and contracts the delivery of services to the WSCCO.	Council transfers responsibility for and delivery of stormwater services to the WSCCO, alongside water supply and wastewater
What are the mechanisms for hapū and iwi representation and influence?	- Representation and influence exercised directly with Council members and management within existing structures and Council capacity/capability - Existing mechanisms (MOUs, partnership agreements, Treaty Settlement obligations) in place - WSCCO mechanisms and obligations apply for water supply and wastewater	As for option 1.	- Representation and influence, including on strategic matters, can be designed as part of establishment through range of mechanisms (Statement of Expectations, representative fora) - Existing obligations, including Treaty settlement obligations, would need to be explicitly provided for through new or adapted mechanisms
What are the mechanisms for local voice and influence?	- Access to councillors through current mechanisms for stormwater, consultation on Water Services Strategy. - WSCCO engagement and consultation requirements apply for water supply and wastewater.	As for option 1.	- Shareholders set local engagement mechanisms during design and establishment of WSCCO. - Shareholders may require public consultation on WSS
Who owns the assets?	- All stormwater assets remain with council. - Water supply and wastewater assets transfer to the WSCCO	- All stormwater assets remain with council. - Requires contractual arrangements for operations, maintenance and new capital delivery for stormwater assets.	- Councils transfer ownership of water supply, wastewater and engineered stormwater assets. - Council retains ownership of land that is used for stormwater (mixed-use assets).
Who employs staff?	- Stormwater staff are employed by individual council - Water supply and wastewater staff employed by WSCCO	Staff substantively delivering water services would transfer to and be employed by the WSCCO.	
How is investment funded / financed?	- Councils borrow within existing LGFA limits (175% debt-to-revenue for unrated to 280% for rated councils), meaning stormwater investment competes with other council priorities. - Stormwater-related debt remains on council balance sheets, reducing flexibility for other services and resilience investments. - Balanced budget rules require full depreciation funding, placing pressure on current ratepayers and limiting ability to spread costs over time.	As for option 1 for stormwater.	- WSCCO may borrow directly from the LGFA. Covenants differ to that of councils, using "FFO" (funds from operations), roughly equivalent to ~500% debt-to-revenue, significantly increasing investment capacity compared to councils. - Debt is held by the WSCCO, freeing up council borrowing headroom for other priorities. - Councils must provide a guarantee (e.g., uncalled capital), but water debt is ring-fenced and treated separately from council finances.

Key judgements against strategic objectives

(1/2)

Strategic objective	Key Elements	Stormwater specific considerations
Efficient and financially sustainable delivery of water services for communities, now and into the future	• Financial sustainability, a requirement under the new legislation incorporates: – revenue sufficiency – water charges generate sufficient revenue to meet the full costs of service delivery including opex, interest and depreciation – financing sufficiency – Council must be able to raise the borrowing required to finance investment and generate the cash surpluses required to repay debt as it falls due, and – resource sufficiency – the future model will have sufficient resource to operate water services sustainably, and the management of those resources is effectively and efficiently undertaken. • Ring-fencing: Councils will be required to prepare separate financial statements for each water activity group, and for water services as a whole. • Operate in accordance with best commercial and business practices.	The operating model for stormwater should be the most financially sustainable and efficient, informed by: • A likely ongoing role for Council given the nature of stormwater networks and the challenges of charging for that network. • The relative debt capacity in the rest of council relative to the new WSCCO and the ability to meet investment requirements. • The resource model and impact on capacity and capability to deliver a programme of work.
Protects and promotes public health and the environment – meeting regulatory requirements	• Investment sufficiency: Councils undertake the investment they need to maintain existing assets, meet regulatory requirements, and provide for seasonal demands, consistent with current asset management plans including: – maintaining compliance with drinking water standards – maintaining good standards of environmental protection, and – anticipating and planning for meeting national standards and resource consent requirements.	• The model that is likely to deliver the greatest level of regulatory compliance and at the lowest cost for communities.
Water services are resilient to natural hazards and climate change	• Investment sufficiency to meet current and future resilience needs, including risks from climate change and natural hazards • Appropriate level of financial capacity to respond to unexpected shocks. • Enable effective response to emergencies and natural disasters	• The extent to which the model enables the scale of investment to make stormwater and urban flood protection more resilient, particularly over the long-term due to climate change. • The extent to which the model supports effective coordination across emergency, flood and stormwater management (i.e., whether this will be easier or harder under different options).

Key judgements against strategic objectives

(2/2)

Strategic objective	Key Elements	Stormwater specific considerations
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• Support integrated planning and decision-making around rural and urban water network planning, including supporting housing growth and urban development and managing peak (seasonal) demand. • Coordination with wider district and infrastructure planning to align water services planning effectively and efficiently.	• The extent to which the model for stormwater delivery makes it easier or harder to coordinate and integrate planning and decision making across the range of organisations involved in stormwater management.
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• Affordability – the projected increase in water charges is affordable for the community (now and future generations). • Appropriate levels of service, including how these are reflected in differential charges, ensuring equitable access. • Strength of mechanisms for local voice and influence provided for in the model, including how council interests are represented and how customers are engaged in decisions relating to service levels, investment and pricing. • Act in best interests of present and future consumers and communities. • Fit for purpose – delivering only what is necessary to meet the specific needs of the community, without excess (that is, value-for-money).	• The best value for money delivery of stormwater services and the extent to which the models of service delivery reflect the needs of local communities particularly given the role some stormwater systems (e.g., open spaces, parks and reserves) play in recreation and public amenity. • The resource model and impact on capacity and capability to deliver a programme of work.
Council obligations to hapū and iwi are valued and honoured	• Giving effect to Council's responsibilities and obligations arising from Treaty settlements. • Strength of processes and mechanisms for engaging with hapū and iwi to ensure meaningful participation in water services decision-making and delivery. • Councils recognise the mana of tāngata whenua.	• The model of delivery that aligns most with iwi and hapū interests particularly in nature based and green solutions.
Impact on remaining council operations and viability	• Councils understand the impacts on the ongoing viability and sustainability. • Asset and debt transfer leaves council in a financially sound position.	• Understanding the impact of different delivery models on the financial positions of councils.

Assessment of options

1 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Efficient and financially sustainable delivery of water services for communities, now and into the future	- For stormwater, Councils will face costs associated with achieving ringfencing, including new planning, reporting, information disclosure and audit requirements, and levies from the Water Services Authority and Commerce Commission. - This will be duplicated in the WSCCO for water supply and wastewater, creating additional cost for consumers. - Anticipated capital efficiencies may be smaller for the 2 waters WSCCO.	- Dependent on councils making decisions about stormwater funding that meet tests for investment sufficiency and financial sustainability in long-term. - Debt capacity for stormwater may be unchanged relative to in-house delivery. - Efficiencies in some operating costs and capital delivery are likely from economies of scale. - Competency based board supports commercial operation and practice, but board discretion more limited due to investment and pricing decisions for stormwater remaining with councils. - May be diseconomies of scope associated with decision making for pricing, investment and financing being separated from delivery of asset management, operations and maintenance.	- Efficiencies are likely from economies of scale, including capital and operating efficiencies from improved asset management, technology deployment, procurement, and supply chain management. - Competency-based board supports clear strategic focus and strengthened management oversight. - Greater access by WSCCO to cost effective borrowing enables investment in stormwater assets to be spread over generations. - Council and the WSCCO will need to charge separately for any costs associated with operating and maintaining land versus engineered assets, and for their respective roles in stormwater network management.

Legend: Red text denotes possible risk

Consistent with objective but has some risks

Moderate alignment to objective(s)

Stronger alignment to objective(s)

Assessment of options

2 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Protects and promotes public health and the environment - meeting regulatory requirements	• All current capex plans designed to meet existing regulatory requirements • Limited capacity to invest in stormwater improvements, relative to option 3.	• As for option 1. • May be some benefit in a standardised approach to stormwater services improve day-to-day compliance management • Dependent on councils making decisions about stormwater funding that meet tests for investment sufficiency and financial sustainability in long term	• Greater debt capacity available to the organisation to lift and/or accelerate investment in stormwater. • Strengthened ability to meet environmental regulatory requirements for stormwater. • Professional governance, shared technical expertise and proactive asset management raise the likelihood of ongoing compliance. • Stronger investment capacity and clearer accountability for stormwater support more consistent delivery of environmental and public health regulatory outcomes, while building and sustaining specialist capability over time, including mātauranga Māori expertise, that may be difficult to maintain with smaller, resource constrained delivery models • Carries risk that funding may be prioritised towards the stormwater needs of other councils, however mitigations exist

Legend: Red text denotes possible risk

Consistent with objective but has some risks

Moderate alignment to objective(s)

Stronger alignment to objective(s)

Assessment of options

3 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Water services are resilient to natural hazards and climate change	- Concentrated risk and more limited capacity for responding to shocks relating to natural hazards. - Council and WSCCO would need to coordinate response to emergency events where cross-contamination occurs across different water systems - Would be well integrated in Council emergence response and not alter existing relationships with regional councils.	- Concentrated risk and more limited capacity for responding to any shocks relating to natural hazards. - More effective management of emergency events where cross-contamination occurs across different water systems - Would require close coordination with local authority emergency response and regional council flood management.	- Greater debt capacity should make it possible to enhance investment in climate resilience and improve levels of service for stormwater services. - More effective management of emergency events where cross-contamination occurs across different water systems - Would require close coordination with local authority emergency response and regional council flood management
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	- Retains tight interface between spatial and stormwater infrastructure planning, with decisions internalised within a single decision-making structure. - Requires the council to work closely with the WSCCO on planning for water supply and wastewater infrastructure needs.	As for option 1.	- Easier to take consistent approach to stormwater across any cross-boundary catchments, but requires close coordination across others with responsibilities across the stormwater system. - Creates need for formal information sharing and collaboration between councils and WSCCO to coordinate planning and investment in stormwater (including for compliance, resilience and growth) across multiple shareholder councils. - Will require sophisticated, combined investment prioritisation and delivery approaches. May be harder to agree shared priorities for stormwater investment across the four councils with differing drivers (at least in the short-term) across compliance, resilience and growth.

Legend: Red text denotes possible risk

Consistent with objective but has some risks

Moderate alignment to objective(s)

Stronger alignment to objective(s)

Assessment of options

4 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• Most flexibility to meet specific community preferences in relation to stormwater. Councils can adjust service levels or standards in consultation with locals without needing external approval. • Strong community voice mechanisms and direct accountability to communities. • Ability to meet future growth and resilience requirements is expected to be challenging. • Less affordable than a 3W CCO in short-term, but only by a small margin. • <i>Medium- to long-term affordability unclear.</i> • <i>Potential for confusion for customers as to who is responsible (e.g. where to direct customer service queries).</i>	• As for option 1, though moderate improvement possible with operating and capital efficiencies.	• Depending on WSO pricing outcomes, affordability would be expected to improve, particularly as efficiencies are realised over the medium- to long-term. • WSCCO would need sophisticated customer engagement mechanisms to be able to respond to diverse needs of a broader consumer base. • Could drive standardisation of service levels for stormwater regionally (which might raise standards for some, lower for others). • Would require agreed transition path including approach to harmonisation of investment plans and charges for stormwater • Greater clarity for customer as they have only one water services provider • Councils retain control over multi-use stormwater assets, which ensures non-water outcomes continue to be valued alongside stormwater management • <i>Harder to agree shared investment priorities and expectations across councils with divergent community interests</i>

Legend: *Red text denotes possible risk*

Consistent with objective but has some risks

Moderate alignment to objective(s)

Stronger alignment to objective(s)

Assessment of options

5 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Council obligations to hapū and iwi are valued and honoured*	• Benefits from continuity of existing mechanisms for representation and engagement channels. • Enables strong place-based relationships. • Some iwi and hapū may prefer arrangements that align with existing boundaries. • Having two water services providers and different interfaces may compromise effective hapū and iwi engagement • Multiple accountable parties exacerbate engagement burden for hapū and iwi • Ability to sustain capability to meet regulatory and environmental demands and Treaty settlement and other obligations could be limited. • Reduced capacity to invest may compromise ability to uphold specific settlement obligations.	• Retains Council-level decision-making on stormwater (contingent on quality of relationships) • Fragmentation of responsibility – unclear accountability mechanisms and multiple interfaces may compromise effective hapū and iwi engagement • Harder for hapū and iwi to influence decisions that matter most – such as where discharge occurs and how investment trade-offs are made – because decision making and delivery responsibility are split • Multiple accountable parties exacerbate engagement burden for hapū and iwi Trust with iwi and hapū would need to be built over time. Any option that weakens existing relationship/instruments will likely be perceived as a step backwards.	• Opportunity to create bespoke, fit-for-purpose representation and engagement mechanisms. • Opportunity to bring about stronger alignment with iwi and hapū perspectives as kaitiaki and the interconnected nature of water through integrated water services. • Complexity of collective iwi engagement with new arrangements could present challenges.
Remaining council operations are viable and continue to deliver on communities' expectations	• Council will still need to resource stormwater activity – could be challenging to attract and retain workforce. • Debt for stormwater assets will remain with councils.	• Stormwater debt remains with Council so constraints are the same as option 1. • Dependent on transition approach, may result in stranded costs, limiting ability to expend revenue on other council activities until this is resolved.	• Only debt related to multi-purpose land assets will stay with council. • Transfer of water supply and wastewater debt leaves councils with more debt headroom to fund other activities and unexpected expenses. • Dependent on transition approach, may result in stranded costs, limiting ability to expend revenue on other council activities until this is resolved.

* Indicative assessment, not based on direct engagement with hapū and iwi. Councils will lead engagement in subsequent phases of the WSCCO investigation.

Legend: *Red text denotes possible risk*

Consistent with objective but has some risks

Moderate alignment to objective(s)

Stronger alignment to objective(s)

Other important considerations

Options:		1 Stormwater stays with council	2 Council retains responsibility and contracts delivery of stormwater	3 Council transfers responsibility for and delivery of stormwater
Description:		Council retains responsibility for and delivery of stormwater services, and transfers water supply and wastewater services to the WSCCO	Council retains responsibility for stormwater services, and contracts the delivery of services to the WSCCO.	Council transfers responsibility for and delivery of stormwater services to the WSCCO, alongside water supply and wastewater
Workforce		• May be difficult to attract and retain skilled staff to Council • Narrowly focused roles and fewer progression opportunities likely to be less attractive than the WSCCO and other nearby water services providers.	• More likely to attract skilled workers due to greater specialisation. • A larger entity with more and different opportunities likely to be more attractive from a talent and attraction perspective.	• More likely to attract skilled workers due to greater specialisation. • A larger entity with more and different opportunities likely to be more attractive from a talent and attraction perspective.
Governance		• Elected members continue to have decision-making responsibility for stormwater services.	• As for option 1. • WSCCO accountable to elected members for delivering contracted activity.	• Asset-owning models, where responsibility for investment, pricing and financing decisions rest with the board, aligns decision making and incentives for asset stewardship and effective and efficient operations. • Board has statutory obligation to ensure service delivery by the WSCCO meets the joint SoE issued by shareholders. • Introduction of multiple shareholders requires careful consideration of ownership and shareholder decision rights, with greater scope for divergence of shareholder interests as the number of owners increases and/or with greater diversity in the underlying communities of interest.
Accountability		• Accountability to elected members and through existing mechanisms under LGA (council and council committee structures) and management reporting lines. • Council must prepare water services annual report. Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council.	• As for option 1. • Harder to regulate than options 1 and 3, with split decision making and delivery responsibilities for stormwater.	• Oversight of performance by multiple shareholders. Requires shareholder coordination mechanisms (e.g. shareholder forum or similar). • Easier to regulate than Options 1 and 2. Creates a direct relationship between the company and the regulator, enabling greater scrutiny of performance and strengthened incentives for board and management and company.

Summary assessment

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
1 Stormwater stays with council	Ease of integration with other council planning processes is a priority. Council is confident it can meet requirements for SW (including financial sustainability and regulatory compliance) in the medium- to long-term and can mitigate workforce attraction and retention risks. Council doesn't consider advantages of 3W CCO are strong enough compared to a 2W CCO with stormwater delivery in-house.	• Easy to integrate stormwater planning with key council strategic planning processes, including spatial, land use and emergency management. • Unlikely to create stranded costs or adverse impacts on rest of council in relation to stormwater • Maintains flexibility if councils want to reconsider stormwater delivery models in future.	• Potential workforce attraction and retention risks, competing for similar skills with 2W CCO and other nearby WSCCOs. • Additional costs due to duplication of planning and reporting requirements • Council and WSCCO would need to coordinate response to emergency events where cross-contamination occurs across different water systems • Potential for confusion for customers as to who is responsible • Potential future affordability and capital delivery challenges. • Additional investment in climate and resilience initiatives may present affordability challenges. • Unexpected stormwater-related costs could impact council ability to invest in other services. • Does not provide any scale economies.
2 Council retains responsibility and contracts delivery of stormwater	Council wishes to retain control over planning, investment and pricing for SW, while seeking benefits from potential operating and capital efficiencies. Council is confident that potential disadvantages of distributed accountabilities and reliance on council debt limits can be managed.	• Easy to integrate stormwater planning with key council strategic planning processes, including spatial, land use and emergency management. • Potential scope for operating and capital efficiencies, dependent on scale. • Improved ability to attract and retain key staff (delivery-focused).	• Distributed accountabilities between shareholding councils and service delivery only WSCCO likely to lead to sub-optimal outcomes. • Stranded costs are likely (but may be mitigated through careful transition planning). • Council will need to retain capability for planning, investment and pricing decisions. • Potential for confusion for customers as to who is responsible • Potential future affordability challenges. • Additional investment in climate and resilience initiatives may present affordability challenges. • Unexpected stormwater-related costs could impact council ability to invest in other services.

Summary assessment

Options	Choose option if	Key advantages	Key disadvantages
3 Council transfers responsibility for and delivery of stormwater	Integrated asset management and delivery across three waters is a priority. Council seeks potential operating and capital efficiencies, and access to debt and longer-term financing for stormwater investments.	• Clarity for customers with only one water services provider. • Aligns decision making and incentives for asset stewardship and effective and efficient operations. • Ease of integrated asset management and delivery across three waters. • Scale efficiencies likely to be greatest under this option. • Potential integration with neighbouring councils to better manage environmental compliance and spatial planning. • Access to debt, and longer-term financing to address future challenges and affordability. • Improved ability to attract and retain workforce.	• Current uncertainty about the design of the model, including mechanisms for agreeing shared priorities and expectations across councils and engaging with hapū and iwi. • Stranded costs are likely (but may be mitigated through careful transition planning). • Potential for diseconomies of scope (e.g., loss of integration with spatial planning, transport). Will require agreed ways of working together. • Higher costs and timeframe for implementation (though likely not significantly different to costs for setting up a 2W CCO).

Conclusions and recommendations



Conclusions and recommendation

This assessment has considered how the three stormwater service delivery options perform against the strategic objectives agreed by councils and other important considerations.

Option 1, where **councils retain responsibility for and delivery of stormwater services**, retains strong local control and integration with land-use, transport, and emergency planning. However, it duplicates regulatory and reporting requirements and may create funding, workforce, and delivery risks for council. It would also potentially create confusion for customers with two water service providers delivering different water services in the district. Over time, constrained debt capacity and capability challenges are likely to limit affordability, resilience, and regulatory performance.

Option 2, where **councils retain responsibility but contract delivery of stormwater services**, offers some operational and workforce benefits from WSCCO scale while preserving Council control over planning and investment. However, split accountability increases governance complexity and risks blurred responsibility for outcomes. Stormwater funding and debt remain with Council, meaning long-term affordability and investment constraints largely persist.

Option 3, where **responsibility for and delivery of stormwater services transfers to the WSCCO**, provides the strongest ability to ensure long-term financial sustainability, regulatory compliance, and climate resilience through scale, specialist

capability, and enhanced borrowing capacity. Integration across three waters simplifies accountability for customers and supports efficient asset management. While it requires careful governance design to protect local priorities and iwi/hapū relationships, these risks should be manageable through transition and shareholder arrangements.

Based on this assessment, it is recommended that **a joint asset-owning three waters WSCCO is the preferred model, to be further developed and assessed through subsequent stages of the project. Under this option, responsibility for and delivery of stormwater services would transfer to the WSCCO, as would ownership of engineered stormwater assets, while councils would retain ownership of mixed-use assets (including reserve land) used for stormwater purposes (e.g., detention ponds or overland flow paths on parks and reserves). Councils and the WSCCO would collaborate on preparation of the Stormwater Network Risk Management Plan, given councils retain responsibility for land use planning and stormwater bylaws.**

Appendix

Further information on how each option would work in practice



Option 1

Stormwater responsibility and service delivery stays within Council

Roles and responsibilities

- **Council:** Water Services Provider for stormwater and owns all stormwater assets. Plans, invests, operates, maintains, and responds to emergencies.
- **WSCCO:** Water supply and wastewater only. Must coordinate with Council where networks interact.
- **Regional Council:** Integrated catchment planning, flood management, resource consents.
- **NZTA/Roading:** Drainage within transport corridors. Coordinate via agreements.

How it works in practice

- **Day-to-day:** Council staff deliver all stormwater operations, asset maintenance, customer service, and emergency response integrated with roading/parks/planning.
- **Planning/Investment:** Council prepares Stormwater Network Risk Management Plan, capital programme, and prepares Water Services Strategy and Water Services Annual Report.
- **Revenue collection:** Council rates for stormwater services. WSCCO sets water charges for water supply and wastewater. Customers receive two bills for water services.
- **Emergencies:** Council leads flooding response. Coordinates with WSCCO (wastewater interactions), Regional Council (rivers), NZTA (highways).

Key instruments

- **Joint Service Agreements:** With WSCCO (wastewater coordination), NZTA, Regional Council
- **Stormwater Network Risk Management Plan:** Council prepares
- **Funding:** Council rates (property value-based allowed)
- **Internal coordination:** Operational protocols with Council roading, parks, emergency management teams

Key considerations

- Council has direct control over integration with land use, transport, emergency management.
- Council has full control over investment priorities and timing.
- Flexibility to fund via property value-based rates
- Must build/retain stormwater capability (likely to face workforce competition with WSCCOs)
- Two Water Services Providers in district (Council for stormwater, WSCCO for water/wastewater) with separate regulatory/reporting requirements

Option 2

Council retains responsibility, contracts stormwater service delivery to WSCCO

Roles and responsibilities

- **Council:** Water Services Provider for stormwater and owns all stormwater assets. Sets strategy, service levels, budget, and monitors WSCCO performance.
- **WSCCO:** Contracted to deliver stormwater operations, maintenance, and potentially capital projects. Integrates delivery with water supply and wastewater for efficiency.
- **Regional Council:** Integrated catchment planning, flood management, resource consents.
- **NZTA/Roading:** Drainage within transport corridors. Council (via WSCCO) coordinates.

How it works in practice

- **Day-to-day:** WSCCO staff deliver operations, maintenance, emergency response on Council's behalf. Council monitors via KPIs and reporting.
- **Planning/Investment:** Council decides capital programme and budget. WSCCO provides technical advice on investment requirements and delivers projects. Council prepares Stormwater Risk Management Plan (may be jointly prepared with WSCCO).
- **Revenue collection:** Council rates for stormwater services. WSCCO sets water charges for water supply and wastewater. Customers receive two bills for water services.
- **Emergencies:** WSCCO responds operationally. Council coordinates overall emergency management and accountability.

Key instruments

- **Service Delivery Contract/SLA:** Defines services, KPIs, performance standards, funding arrangements.
- **Stormwater Network Risk Management Plan:** Council prepares this, with input from WSCCO.
- **Annual Work Programme and Budget:** Council approves; WSCCO delivers within agreed funding envelope.
- **Performance Monitoring:** Regular reporting, audits
- **Funding:** Council rates (property value-based allowed)

Key considerations

- Access to WSCCO's integrated three-waters capability, workforce, systems, procurement and supply chain capability.
- Council retains strategic control, accountability, rating flexibility
- Complex accountability (Council responsible, WSCCO delivers). Requires strong contract management and can lead to blame shifting.
- Can be confusing for customers as to who is responsible (e.g., for billing, responding to network faults, asset failure etc).
- Two WSPs in district (Council for stormwater, WSCCO for water/wastewater) with separate regulatory/reporting requirements.

Option 3

Council transfers responsibility and ownership of engineered assets to WSCCO

Roles and responsibilities

- **Council:** Retains overall accountability to ensure services provided. Owns mixed-use land (parks, reserves, overland flow paths). Sets binding expectations for the WSCCO and monitors its performance.
- **WSCCO:** Water Services Provider for all three waters and owns engineered assets. Plans, invests, operates, maintains, charges, and responds to emergencies for all three waters.
- **Regional Council:** Integrated catchment planning, flood management, resource consents.
- **NZTA/Roading:** Drainage within transport corridors. Coordinate via agreements with WSCCO.

How it works in practice

- **Day-to-day:** WSCCO delivers all stormwater operations, maintenance of engineered assets (and mixed-use assets by agreement), customer service, emergency response. Integrates with water supply and wastewater (shared workforce, systems, contractors).
- **Planning/Investment:** WSCCO prepares single Water Services Strategy (all three waters), capital programme, Stormwater Risk Management Plan. Council provides input via ownership expectations and spatial and land use planning.
- **Revenue collection:** WSCCO sets water charges all water services. Customers receive one bill.
- **Emergencies:** WSCCO leads stormwater response. Council coordinates overall CDEM and non-water infrastructure.

Key instruments

- **Statement of Expectations (SoE):** Council sets high-level performance, service, financial, and community engagement expectations for WSCCO (including KPIs).
- **Shareholder Monitoring:** Regular reporting on financials, service levels, customer satisfaction, regulatory compliance.
- **Access and Use Agreements:** WSCCO uses (and potentially maintains under SLA) council-owned parks/reserves/flow paths for stormwater. Council retains ownership and multi-use management
- **Joint Service Agreements:** WSCCO enters with Council roading, NZTA, Regional Council.
- **Stormwater Network Risk Management Plan:** WSCCO prepares (likely jointly with Council given mixed-use land and shared infrastructure).
- **Funding:** WSCCO charges based on stormwater service zones. Property value-based charging phased out within 5 years.

Key considerations

- Efficiencies from shared workforce, systems, borrowing - stronger capability and scale.
- Improves Council balance sheet (debt transfer).
- Requires robust coordination on shared infrastructure (roads, parks) and integration with land use, transport, emergency management.



Wellington T +64 4 499 6130

Level 1, City Chambers, Cnr Johnston and Featherston Streets, Wellington 6011, PO Box 5256, Wellington 6140, New Zealand

Auckland T +64 9 915 1360

Level 16, 41 Shortland Street, Auckland 1010, New Zealand

info@martinjenkins.co.nz **martinjenkins.co.nz**